

CITY OF CONCORD

NEW HAMPSHIRE

City Hall - 41 Green Street - Concord, NH 03301 - tel. (603) 225-8510 - fax (603) 228-2701

COMMUNITY DEVELOPMENT ADVISORY COMMITTEE MINUTES January 23, 2012

The meeting was convened at 4:35 PM in the Second Floor Conference Room, City Hall, 41 Green Street, Concord, NH 03301.

Present: Elizabeth Blanchard, Mark Coen, Leo Fraser, Amanda Grady, and

Nadine Salley

Absent: Jeff Bart, Allen Bennett, Michael Gfroerer, and Janet Sprague

Staff: Matt Walsh, Assistant for Special Projects

Bev Rafferty, Administrative Assistant

Guests: Michael Reed, Director of Real Estate and Asset Management, Concord

Area Trust for Community Housing (CATCH)

Liz Sweeney, Loan Officer/Economic Development Associate, Capital

Regional Development Council (CRDC)

As there was no quorum, no voting actions could be taken, however, discussion was had as follows:

➤ Joia Hughes, CD Consultant: Matt Walsh provided a brief history Ms. Hughes work history with the City. He noted that she originally worked for the City as a the CD Grants Specialist (a full-time position) but left in 2006 when she took a job with the Merrimack County Community Action Program. After the departure of Janice Hill during the summer of 2008, Mr. Walsh enticed Ms. Hughes to come work for the City as a consultant. This was beneficial as Ms. Hughes desired to leave CAP in order to begin her own consulting firm. Mr. Walsh reported that the relationship with Ms. Hughes was mutually beneficial. However, in late 2011 Ms. Hughes took a new full time position with the Laconia Housing Authority. Originally, Ms. Hughes had hoped to keep the City as a client, however, her new job and family responsibilities became too much and, therefore, she will no longer be working for the City.

Mr. Walsh reported that he is in the process of preparing a "Request for Proposals" in order to hire a new consultant to cover at least the block grant program. He is still debating if the revolving loan program should be included or could staff handle that.

He reviewed the budget noting that when the city had a full time employee handling both the grants and loans programs, the cost was approximately

\$84,000/yr. Last year, using a part-time consultant, the cost of administering these programs was approximately \$12,000.

The point of this discussion: at the November 2011 meeting it was decided to move CDAC's meetings to the fourth Monday of the month at 4:30 PM in order to accommodate Ms. Hughes being able to attend. Now that she is no longer working with Concord, it was decided that CDAC shall revert back to its traditional schedule of the fourth Wednesday at Noon. This new schedule will be implemented starting with the February CDAC meeting (set for February 22, 2012 at Noon). Staff will e-mail the members not present at today's meeting to inquire if there is any objection to this change and make them aware of the discussion and reasoning behind making the change.

Matt Walsh noted there were two potential revolving loan fund applications he wished to discuss with CDAC in preparation for the February meeting.

➤ CATCH/Endicott Hotel Loan Request: Mr. Walsh noted this is just general discussion in order to inform CDAC of a potential application concerning renovation of the Endicott Hotel. He informed CDAC that CATCH owns the 36 upper residential units and recently purchased the three bottom commercial condos from Peter Shapiro. CATCH has been talking about renovating the building into market rate downtown housing for some time now. He also noted that creation of "market rate" upper story housing in downtown has been a City priority for several years.

CATCH plans to convert and consolidate the 36 subsidized units into 25, 1-3 bedroom market rate units. The commercial portion of the building will also be renovated.

Mr. Walsh explained that financing the project will be challenging even though CATCH has significant equity in the property. He noted the cost of the project will be approximately \$1.8 Million. Mr. Walsh noted that CATCH has approached the city for a \$200,000 loan to assist with the renovation of the commercial space. Terms proposed by CATCH are: \$200,0000 at a 2.5% interest rate amortized at 25 years but with a balloon payment in 15 years. Collateral would be the commercial space in the building, however this loan, together with existing debt to Peter Shapiro on the commercial units, would likely have a negative loan to value ratio. Mr. Walsh started that he was seeking guidance from CATCH on 2 key items: (1) is CDAC supportive of what CATCH is trying to accomplish; and (2) is CDAC interested in participating with a loan?

Mr. Walsh noted that Liz Sweeney of CRDC was present at the meeting as he has approached CRDC with a concept to have them participate with the loan in the amount of \$100,000. This would be advantageous as it would reduce the City's risk, leave more funding available for other City loan clients, and strengthen the City's partnership with CRDC.

There was discussion about the RSA 79-E designation for the housing portion but how could it be applied to the commercial portion. Matt Walsh provided an overview of RSA 79-E and explained how the building is eligible for such tax credits.

Mark Coen stated that he supports the project, but wanted clarification as to whether the City's RLF can support the project as the program has traditionally been reserved to assist low / moderate income housing needs. Matt Walsh noted that the Program Income Reuse Plan ("PIRP") which provides guidelines for the RLF does permit the use of funds for Economic Development Projects and that the RLF has supported commercial endeavors in the past (such as the 2 Pillsbury Street / Blue Cross Blue Shield renovation). Because renovation of the commercial space will lead to new businesses and – hopefully – job creation for low / moderate income persons, this is an appropriate use of the loan program. Mr. Walsh further clarified that no funds from the RLF will be used for the residential portion of the project.

Liz Blanchard inquired if the loans usually go as low as the 2-1/2% interest rate requested. Mr. Walsh noted that this rate is low – especially for a commercial project. However, he added that projected net operating income for the commercial portion of the project is very "thin". Therefore, it cannot support debt at a higher interest cost. He noted that this is related, in part, to other debt already on the commercial portion of the building.

Mr. Walsh reminded those present that the principal and interest will be amortized at 25 years with a balloon payment in 15 years when CATCH will pay off the remaining principal.

Leo Fraser agreed this is a benefit to the community. Mark Coen inquired if an additional RLF appropriation will be done soon and Mr. Walsh explained the appropriation is usually done only once a year and the last appropriation was done in December 2011. The general consensus was that a higher interest rate may need to be applied to this loan if awarded.

Michael Reed, Development Director for CATCH Neighborhood Housing, explained he had proposed a 2.5% interest rate with 25 year amortization because of the cash flow for the commercial portion of the building as well as timing of balloons for other existing debt. Mr. Reed noted CATCH did not want two mortgage balloons coming due at the same time. Mr. Walsh noted that in order for this project to happen, he believes the city would have to participate and reiterated that no vote would be taken today but at the February meeting.

Nadine Salley noted she will abstain from voting on this application as her husband is employed by CATCH.

Mike Reed reviewed the time lines for the project and noted that he would need to know in February the decision of the city as he would need to let other financial possibilities know about financing for the commercial part of this project. He continued that the \$200,000 would be used for the façade, masonry, and other improvements. Leo Fraser noted he supports the project as long as it does not prejudice the fund.

➤ 49 – 51 Perley Street property: Matt Walsh informed CDAC that Bolthill Development, an investment company based in Maine, had approached the city for a \$150,000 loan to renovate the property at 49 – 51 Perley Street that was damaged in a fire back in April 2011. Brian McClellan had met with Mr. Walsh and the property will be rented to low/mod income tenants. The property is currently a 6 unit multi-family facility but when renovations are complete it will be four units.

Mr. Walsh reported that Bolthill plans to purchase the property with cash, therefore, the City's lien would not be subordinate to any other debt. Mr. Walsh informed CDAC that Mr. McClellan and his partner have excellent credit ratings and believes this would be a reasonable loan for CDAC to consider due to 1) relatively low risk, 2) removal of blight in a lower income area of the City, and 3) creation of 4 affordable housing units. Conceptually, terms of the loan would be 3-1/2% for 25 years.

There was lengthy discussion about why Mr. McClellan was seeking a loan through the City if he could likely secure private financing from a traditional lender. Mr. Walsh explained that the City's Code Division had made Mr. McClellan aware of our RLF program and that staff thought use of the RLF would be appropriate due to the removal of blight and desire to create 4 affordable housing units.

Nadine Salley stated that she felt this would be a "construction loan" and not a "renovation loan". As such, she inquired whether the City has staff that is qualified to administer construction lending requirements set forth by RSA 447. Mr. Walsh stated that he did not believe the City had anyone on staff familiar with RSA 447; however, the City could hire a third party to oversee such requirements. The cost of a third party would be borne by the applicant. It was also noted that inspections have to be calculated into the cost, too.

The following items were mentioned:

- ➤ "Red tape" the city would need to work through relative to a construction loan;
- ➤ If rent will be restricted to low income individuals, could Bolthill look elsewhere for funding through a bank; they might have to charge more rent but CDAC needs to think about the kind of loan being requested;
- ➤ Is there a city order on the building about occupancy as back units are currently occupied;

- > Someone is going to have to watch this project to be sure regulations are followed:
- ➤ Is Mr. McClellan providing labor from his company; but Mr. Walsh believed he is sending it out;
- Assessed at \$290,000 and a \$150,000 loan, this would be attractive to a bank; the debt to equity looks good to a bank; the 50% loan to value is a low risk.

Leo Fraser inquired whether there were requirements in the City's loan program guidelines that Mr. McClellan must demonstrate that he has attempted to secure traditional financing through a private lender. Mr. Walsh noted there is no such condition in the Program Income Reuse Plan. Liz Blanchard noted that since each application is treated individually, CDAC could request that but there might be some additional administrative charges.

After additional discussion, it was the consensus of CDAC that ultimately Matt Walsh should contact Mr. McClellan let him know that CDAC is concerned about the size of the loan and that it views the loan as a "construction loan" which would require the city to follow certain rules it is not currently geared to administer. Further, CDAC directed Mr. Walsh to convey to Mr. McClellan that the terms proposed are too liberal in regard to the interest rate requested. If, after contacting other financial sources Bolthill is unable to secure traditional financing, CDAC will entertain their application for a loan.

Liz Blanchard inquired if when an older property changes hands, are the new owners obligated to bring property up to code (sprinklers, etc.). Matt Walsh noted if the building is going to be significantly renovated, the new owner would likely be required to build it to code. However, a simple change of ownership does not trigger such requirements.

- ➤ Loan Program: J. Parrott, one of the city's loan clients, had e-mailed staff regarding obtaining additional money to purchase a furnace. Bev Rafferty informed CDAC that Ms. Parrott is current on her payments and is in the process of obtaining quotes for a new furnace. Ms. Rafferty inquired that in the event Ms. Parrott gets her application and paperwork to staff before the February meeting, would CDAC entertain an e-mail vote on this request as it is a furnace and this is no time of year to be without heat. Those members present agreed that a furnace is a priority and once Ms. Parrott's application package is ready for submission, an e-mail vote would be fine.
- ➤ Ms. Rafferty also reviewed a few of the other loan clients just to bring CDAC up to date. Namely:
 - > Armano property sold in October 2011 at a sale price of \$150,000;
 - ➤ D. Bennett several months in arrears letter sent to client January 13, 2012 but no response yet;

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- ➤ Racquet Club still making regular monthly payments to catch up per agreement;
- ➤ The Duncan's bankruptcy update;
- > The Flournoy's in arrears letter sent to client January 17, 2012 but no response yet.
- > Next meeting: February 22nd, at 12:00 Noon.

The meeting closed at 5:30 PM.

Respectfully Submitted,

Beverly A. Rafferty Administrative Assistant